

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING INITIATIVES PROGRAM

PROGRAM HIGHLIGHTS

	<u>ACTUAL</u> 2001	<u>ENACTED</u> 2002	<u>ESTIMATE</u> 2003	INCREASE + DECREASE - <u>2003 vs 2002</u>
(Dollars in Thousands)				
<u>Private Enforcement Initiative</u>				
Number of Awards	37	79	45	-34
Obligations	\$10,551	\$22,325	\$12,150	-\$10,175
<u>Education and Outreach Initiative</u>				
Number of Awards	26	71	55	-16
Obligations	\$12,375	\$10,225	\$6,000	-\$4,225
<u>Administrative Enforcement Initiative</u>				
Number of Awards	NA	NA	NA	NA
Obligations .....	...	...	...	...
<u>Fair Housing Organizations Initiative</u>				
Number of Awards	3	5	2	-3
Obligations	\$1,199	\$4,200	\$2,100	-\$2,100
Total Obligations	\$24,125	\$20,250	\$20,250	...
<u>Budget Authority</u>				
Enacted or Proposed	\$24,000	\$20,250	\$20,250	...
Rescission	<u>-\$53</u>	...	...	...
Subtotal	\$23,947	\$20,250	\$20,250	...
Budget Outlays	\$24,713	\$24,352	\$23,959	-\$393

NA = Not Applicable

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget request for the Fair Housing Initiatives Program (FHIP) is \$20.250 million, the same as provided in the fiscal year 2002 appropriation. The Budget request will make it possible to: (1) increase enforcement and compliance with the Fair Housing Act and substantially equivalent State and local fair housing laws; (2) promote effective strategic efforts to combat housing discrimination by FHIP participants; (3) continue initiatives on predatory lending; (4) deal with the special needs of "Colonias" along America's southwest border; (5) partner with community and faith-based organizations; and (6) support a nationwide training component (Project on Accessibility Training and Technical Assistance) on the Fair Housing Act accessibility requirements.

EXPLANATION OF INCREASES AND DECREASES

The Budget request of \$20.250 million is the same as provided in the 2002 appropriation and will be used to develop or conduct programs to increase compliance with the FHAct and substantially equivalent fair housing laws. The requested funds will

Fair Housing Initiatives Program

continue to support four initiatives that began in fiscal year 2002. These initiatives include:

Combating Predatory lending. Reports show that lenders frequently target racial minorities, the elderly and women, for mortgage loans with abusive terms and conditions. These lenders employ deceptive and aggressive sales tactics that take unfair advantage of the borrower's lack of education and knowledge of mortgage loan transactions. Generally, predatory loan terms include rates and fees that are grossly out of proportion to the true risk posed by the borrower. Predatory loans are almost always a subset of "sub prime loans," i.e., loans for persons with impaired credit or some other characteristic that disqualifies them from receiving prime quality loans. The sub prime market has exploded in recent years. During a 5-year period from 1994 to 1999, the market share for sub prime loans increased from 5 percent to 13 percent. Reports of predatory lending have risen sharply, too.

Increased education, especially among minorities, the elderly and women, populations who are frequent targets of predatory lenders, is vital to curbing the damaging effects of these practices. In fiscal year 2003, the FHIP program will continue to fund a major education and public awareness campaign to combat predatory lending and support enforcement efforts to redress its victims. The Department will work closely with all interested parties, including fair housing groups, consumer groups, Federal, State, and local governments, and the lending and real estate industries to put an end to predatory lending practices.

Southwest Border "Colonias." HUD's core mission includes the promotion of affordable housing in both rentals and homeownership. Activities conducted under FHIP help to overcome discrimination in the housing market. HUD has identified barriers to affordable housing in the southwest border areas known as "colonias." The term Colonias refer to unincorporated settlements that may lack basic infrastructure, such as water and sewer systems, paved roads, and safe and sanitary housing. There are reports of possible fair housing problems in these communities including allegations of predatory lending. Moreover, many of the residents of these communities are recent immigrants who are unaware of their rights under the FhAct. FHIP will continue to fund organizations that will focus fair housing education and enforcement efforts on these communities. The fiscal year 2003 Budget would build on fiscal year 2002 projects, which first brought attention to the fair housing needs of the colonias.

Community and Faith-Based/Fair Housing Partnerships. Education and outreach activities are critical for successful fair housing enforcement by HUD and by substantially equivalent State and local government enforcement agencies. Such education promotes compliance with fair housing laws within the real estate-related industries and it also advises those who feel they have been discriminated against about the services offered by Federal, State and local fair housing enforcement agencies. The FHIP statute recognizes that a broad range of entities have a role to play in this educational and outreach effort. Virtually any entity (public or private, for-profit or not-for-profit) that is working to prevent or overcome discriminatory housing practices is eligible to apply under this initiative.

The fiscal year 2003 Budget builds on the collaborative efforts between fair housing and community and faith-based organizations. Generally, community and faith-based organizations do not have the extensive experience educating the public on fair housing laws; however, they have constituencies and networks that would benefit from a better understanding of these laws. Among some communities, the involvement of faith-based organizations in social programs is vital. The George Washington University in a recent report stated:

"Perhaps public and private authorities should work more closely with faith-based organizations to deliver information about fair housing. The church has long been a vital part of civil rights initiatives in the black community. Today churches are increasingly active on a range of community development initiatives. No doubt, their congregants could benefit from such efforts."

Fair Housing Initiatives Program

Through its partnership with community and faith-based organizations, the Department will continue its efforts to build "bridges" between fair housing organizations and the constituents of faith based and community organizations.

FHAct Accessibility Requirements. In the summer of 2001, HUD awarded a contract to KPMG Consulting to develop an accessibility curriculum and technical assistance plan in the first year, both to be delivered over a 2-year period. The Project on Accessibility Training and Technical Guidance Assistance (PATTG) contract provides for disability advocacy organizations and members of the housing industry to jointly design and deliver training and technical assistance on the accessibility requirements of the FHAct.

The first year included a pilot program to "road test" the new curriculum and initial steps to begin implementation of the technical assistance plan. Also in the first year, KPMG will identify trainers who, in the succeeding 2 years, will provide uniform and consistent training and technical assistance to housing providers and the public about the FHAct, and section 504 of the Rehabilitation Act of 1973. The training and technical assistance will be provided at and through Design and Construction Resource Centers to be established and staffed by KPMG. The Department proposed the reprogramming of \$1.7 million in Fiscal Year 2001 funding to continue and extend the PATTG efforts utilizing funds that will not be necessary from the third year funding of the Housing Discrimination Study.

HUD will monitor the PATTG contract and related accessibility activities closely, to ensure that the training and technical assistance provided are consistent and effective and meet the accessibility design and construction standards of the FHAct.

There are four program initiatives highlighted in the FHIP authorizing statute-- Administrative Enforcement, Education and Outreach, Private Enforcement, and Fair Housing Organizations. Since fiscal year 1996, HUD has sought funding for the three described below. All FHIP-funded projects are required to address discrimination under each of the categories highlighted in the FHAct (race, color, religion, sex familial status, national origin, and "disability"); however, applicants for FHIP funding will be encouraged to include emphasis on the program activities outlined in this year's Budget (predatory lending, accessibility requirements, Southwest Border (Colonias), and partnerships between fair housing and community and faith-based organizations).

Funding for:

Education and Outreach Initiative (EOI). The Budget requests \$6 million for this Initiative, a decrease of \$325 thousand under the fiscal year 2002 appropriation, to be used to continue support for fair housing activities in the colonias along the southwest border and the Community and Faith-Based/Fair Housing Partnerships. Approximately 70 percent of the funds will support education and outreach activities conducted at the regional, State, local and community-based levels. Such funding will be more responsive to the demand for FHIP-funded education-based activities in more communities and is a better approach to continue the support of the community and faith-based partnership initiative. Approximately 30 percent will be used to fund national education and outreach activities.

Private Enforcement Initiative (PEI). The Budget requests \$12.150 million for this Initiative, an increase of approximately \$325 thousand over fiscal year 2002 appropriation. The increased regional, State, local and community-based activity proposed for the Education and Outreach Initiative (EOI), as well as for the continual support outlined above in predatory lending, Southwest Border (colonias), community and faith-based partnerships, and accessibility requirements, will result in increased demands for the enforcement-related services provided under PEI. The increase will also allow HUD to fund more PEI projects.

Fair Housing Organizations Initiative (FHOI). The Budget requests \$2.1 million for this Initiative. This represents approximately 10 percent of the overall FHIP Budget request, which is the same percentage as in fiscal year 2002. The purpose of FHOI is to provide fair housing enforcement activities in areas that are underserved by government agencies and/or private fair housing organizations. This Initiative was restructured in

fiscal year 2001. The changes reflected in the restructuring incorporate sound business principles that take into account that new organizations need sufficient time, start-up funds and other resources to become vital and self-sustaining organizations. The newly sponsored organizations participate in the program for 3 years and are required to meet certain performance measures for each year's funding, including demonstrating they have leveraged increasing amounts of non-FHIP resources.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. Section 561 of the Housing and Community Development Act of 1987, as amended, authorizes the execution of grants, contracts, or cooperative agreements with State or local government agencies, public or private nonprofit organizations, institutions or other entities that are formulating or carrying out programs to prevent or overcome discriminatory housing practices. FHIP supports projects and activities designed to enhance compliance with the Fair Housing Act and substantially equivalent State and local laws. Section 905 of the Housing and Community Development Act of 1992 expanded the provisions of the Fair Housing Initiatives Program to build the capacity of fair housing organizations in unserved and underserved areas, to establish a national media campaign for dissemination of fair housing information, and to establish funding for celebration of National Fair Housing Month. The activities of FHIP-funded organizations complement those of the Federal Fair Housing Act (FHAct) and State and local governmental agencies that administer laws that are substantially equivalent to the FHAct. FHIP funds are awarded on a competitive basis to entities in communities nationwide that demonstrate the experience and the capacity to investigate and verify complaints of discrimination through activities such as testing, and that provide education and outreach to the public on the rights and responsibilities under the fair housing laws through training, media campaigns, and counseling.

Combating housing discrimination supports larger public policy objectives. Racial segregation has declined over the past 3 decades, but it remains very common and studies continue to show discrimination against minorities seeking to buy or rent homes. Addressing this problem is more important than ever as the share of the population that is minority continues to increase and as much of that growth comes from a large influx of diverse immigrant groups, most of them non-white and non-European, with limited English proficiency.

Fair housing education and enforcement projects help minority groups, the elderly, and women defend themselves against home lending abuses, especially a practice that is often called "predatory lending," and to which they are frequently and disproportionately victims. Recent immigrants (especially racial and ethnic minorities who are not English-speaking) often face discrimination and other obstacles in housing and housing-related transactions that can be mitigated through strong fair housing education and enforcement. Finally, 13 years since the enactment of provisions in the FHAct which require accessible design and construction of new multifamily housing, people with disabilities still encounter widespread non-compliance with the law when they seek to rent or purchase homes and, consequently, suffer lost housing opportunities and other injuries. The optimum time to ensure compliance with the accessibility requirements of the FHAct is before the housing is built and education efforts in this area is a top priority.

FHIP is a critical component in the Department's effort to address fair housing education, enforcement and compliance. The other principal component of the Department's comprehensive fair housing strategy is the Fair Housing Assistance Program (FHAP), authorized by the Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988). That program, for which the Budget proposes a \$26 million funding level in fiscal year 2003, is described in a separate justification.

2. Purpose. The Housing and Community Development Act of 1987 established the Fair Housing Initiatives Program for the purpose of preventing and overcoming housing discrimination. This program provides a coordinated approach to further the purposes of the Fair Housing Act, to guarantee the rights of all people to seek housing in an open market free of discrimination, and to inform the public and the housing industry of its rights and obligations under the Fair Housing Act. FHIP also enhances and facilitates

Fair Housing Initiatives Program

the delivery of the Department's housing and community development programs, such as HOME and Community Development Block Grants, by providing a free and open housing market.

The Fair Housing Initiatives Program is intended to supplement current fair housing enforcement activities of the Department. These activities include programs of enforcement, voluntary compliance, and education and outreach. FHIP provides the financial means to assist projects and activities designed to enhance compliance with the Fair Housing Law and substantially equivalent State and local laws.

3. Program Components. There are four major program initiatives that are recognized under the FHIP regulations. These components support public and private enforcement, education and outreach activities, and capacity building for fair housing enforcement organizations. Eligibility for each initiative is set by statute or regulation.

- a. The Private Enforcement Initiative. Provides funding to private, tax-exempt organizations that have engaged in enforcement-related activity for at least a year in the 2 years preceding the filing of the FHIP application. FHIP funding is often the only resource for enforcement-related activities. The program now requires a FHIP organization to reimburse the U. S. Treasury for compensation received from FHIP-funded activities.
- b. The Education and Outreach Initiative. Provides funding for projects that inform and educate the public, including housing providers, on the rights and obligations of the FHAct and substantially equivalent state and local fair housing laws. This initiative has the broadest eligibility provision. Eligible organizations may be public or private, for-profit or not-for-profit entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices, including entities that will carry out their program solely reflecting receipt of a FHIP award.
- c. The Fair Housing Organizations Initiative. This Initiative provides funding to increase fair housing enforcement either by establishing new fair housing enforcement organizations or by expanding the capacity of existing organizations to engage in fair housing enforcement. Application is made by experienced fair housing enforcement organizations who mentor the sponsored organization. Eligibility is limited to private, tax-exempt organizations with at least 2 years of enforcement-related experience in the 3 years preceding the filing of their FHIP application.
- d. The Administrative Enforcement Initiative. (Not requested.) This Initiative provides funding to State and local agencies that administer laws that the Assistant Secretary has determined are substantially equivalent to the rights, remedies and procedures offered under the FHAct. These agencies participate in the Fair Housing Assistance Program (FHAP) and because of increased appropriations to FHAP over the years, the Department has not sought funding for this Initiative since fiscal year 1995.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

Strategic Goals of the Department, as set forth in the Department's fiscal year 2003 Annual Performance Plan, are to: "Ensure equal opportunity and access to housing." In addition, this budget highlights the strategic objective, "Reduce housing discrimination" by focusing FHIP enforcement and education efforts on reducing discrimination in the rental sale of housing and in other transactions related to housing related activities home purchases. The program will assist in expanding both homeownership opportunities and rental housing options.

This Budget, with its emphasis on providing greater education, training, and technical assistance on the FHAct's requirements for accessible design and construction of new multifamily housing, specifically supports the Department's objective, "Reduce housing discrimination (failure to design accessible housing constitutes a violation of FHAct prohibition against discrimination)". These efforts will help increase the available housing stock that is accessible, affording the elderly and people with

Fair Housing Initiatives Program

disabilities greater opportunity to purchase units in multifamily developments, such as condominiums and cooperatives; provide more housing choice in the rental market; and expend "maximum independence" in visiting families and friends at multifamily developments. Likewise, education targeting predatory lending will support the Department's strategic goal to "Ensure equal opportunity and access to housing" and objective, "Reduce housing discrimination." The program also supports the Department's efforts to promote faith based and community partnerships in HUD programs.

All of the strategic objectives contained in the APP will be positively affected by the Faith-Based Partnerships in FHIP along with the partnership initiative in FHAP, by empowering the public, encouraging networks of State and local fair housing enforcement agencies and organizations in working in unison with faith-based organizations to promote a fair housing presence in places where there is little or no such presence. These are the driving forces behind this Partnership Initiative. HUD expects that an informed and educated public, housing/real estate industry, and mortgage banking and financing industry, along with aggressive and effective enforcement, will assist in affirmatively furthering fair housing where the outcome of such actions will go a long way toward reducing housing discrimination.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 4: Strengthen and expand faith-based and community partnerships that enhance communities.			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE			
Headquarters	...	...	3
Field	...	...	...
Subtotal	...	...	3
Strategic Goal 7: Ensure equal opportunity and access to housing.			
Discretionary BA (Dollars in Thousands)	\$23,947	\$20,250	\$20,250
FTE			
Headquarters	70	70	67
Field	220	225	225
Subtotal	290	295	292
Strategic Objective 7.1: Reduce housing discrimination.			
Indicator: The share of the population with adequate awareness of fair housing law increases from the 2001 baseline by 2004.	Baseline to be determined	Not Available	Not Available
Indicator: At least two new fair housing groups are funded by FHIP through collaborative efforts between fair housing	2	2	2

Fair Housing Initiatives Program

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
and community or faith -based organizations.			
Indicator: The number of fair housing complaints identified by FHIP partners in the Southwest border region increases by 5 percent.	NA	Baseline to be Determined	Baseline + 5%
Strategic Objective 7.2: Improve the accessibility of housing to persons with disabilities.			
Indicator: The share of newly constructed building that conform to selected accessibility requirements increases from the 2001 baseline.	Baseline to be determined	NA	NA
FTE Total	290	295	295

NA = Not Applicable